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SPEECH AT SESQUICENTENNIAL ALUMNI CELEBRATION, U. OF MICH.

THURS., MARCH 2, 1967

"A CRISIS OF CONFIDENCE"

ANY ANALYSIS OF TODAY'S POLITICAL PICTURE IN AMERICA OF NECESSITY REVOLVES ABOUT A SINGLE PHRASE--FOUR WORDS--  
"A CRISIS OF CONFIDENCE."

THE AMERICAN PEOPLE ARE CONSTANTLY ENGAGED IN A SEARCH FOR TRUTH--FOR POLITICAL TRUTH, FOR MORAL TRUTH, FOR TRUTH IN GOVERNMENT, FOR VERITIES IN OUR INTERNATIONAL RELATIONS.

TODAY THEY ARE DEEPLY TROUBLED BECAUSE THE TRUTH, ALWAYS ELUSIVE IN PUBLIC AFFAIRS, IS HIDDEN IN A THICKET OF CONTRADICTIONS AND MISLEADING STATEMENTS BY GOVERNMENT SPOKESMEN.



TO USE THE EVERYDAY LANGUAGE OF THE POLITICIAN, THE AMERICAN PEOPLE HAVE BECOME PAINFULLY AWARE OF WHAT HAS BEEN CALLED "THE CREDIBILITY GAP." THIS WAS A LARGE FACTOR IN REPUBLICAN SUCCESSES IN THE 1966 ELECTIONS. UNLESS THERE IS A DRAMATIC CHANGE, IT WILL BE IMPORTANT IN 1968.

PRESIDENT JOHNSON CONSIDERS THE CREDIBILITY GAP TO HAVE BEEN SO DAMAGING THAT HE IS ENGAGED IN A CONCERTED EFFORT TO BRIDGE IT, PARTICULARLY AS IT APPLIES TO HIM PERSONALLY.

THIS FIRST BECAME OBVIOUS WHEN THE PRESIDENT ON JANUARY 10 DELIVERED A STATE OF THE UNION MESSAGE FULL OF <sup>admissions</sup> ~~CONFESSIONS~~ THAT ~~HE HAD MADE~~ <sup>had been made</sup> MISTAKES AND SOME OF HIS PROGRAMS WEREN'T WORKING VERY WELL. AS WE SAY IN MICHIGAN, IT WAS MODEL CHANGEOVER TIME.



THE 1967 MODEL OF THE PRESIDENCY PURPORTS TO BE THAT OF A HUMBLE CHIEF EXECUTIVE WHO IS SEEKING THE ADVICE AND HELP OF OTHERS. IS THIS A CHANGE OF SUBSTANCE? IT REMAINS TO BE SEEN WHETHER THE PEOPLE WILL BUY THE NEW <sup>White House</sup> ~~BJ~~ MODEL OR WHETHER THEY WILL SEE IT AS THE SAME VEHICLE WITH JUST NEW GRILLEWORK...A NEW FRONT.

I WILL SIMPLY ADD THAT ALL OF THE PRESIDENTIAL MESSAGES RECEIVED BY THE CONGRESS THIS YEAR INDICATE THERE HAS BEEN NO FUNDAMENTAL CHANGE IN THE PRESIDENCY OR IN THE WAY THE OFFICE IS BEING USED. THE THRUST TOWARD INCREASED FEDERAL POWER CONTINUES.

THE "CREDIBILITY GAP" SEPARATES THE JOHNSON REGIME FROM INFORMED PUBLIC OPINION. PEOPLE WHO ANALYZE PUBLIC PROBLEMS AND INFORMATION--PEOPLE WHO DISSECT



THE STATEMENTS AND ACTIONS OF PUBLIC OFFICIALS--FIND THEMSELVES INCREASINGLY ALIENATED FROM THIS ADMINISTRATION.

THE CREDIBILITY GAP CONTINUES; THE CRISIS OF CONFIDENCE GROWS.

WITNESS THE ADMINISTRATION'S ~~RECENT~~ STATEMENTS AND ACTIONS IN CONNECTION WITH THE CONTROVERSY OVER CIA FINANCING OF STUDENT AND OTHER PRIVATE ORGANIZATIONS.

IN PALO ALTO, CALIFORNIA, ON FEBRUARY 21, <sup>1967</sup> VICE-PRESIDENT HUBERT HUMPHREY SAID THAT CIA FINANCING OF STUDENT GROUPS REPRESENTED "ONE OF THE SADDEST TIMES, IN REFERENCE TO PUBLIC POLICY, OUR GOVERNMENT HAS HAD." HUMPHREY ADDED HE WAS "NOT AT ALL HAPPY ABOUT WHAT THE CIA HAS BEEN DOING."

HEW SECRETARY JOHN W. GARDNER SAID ON THE SAME DATE



THAT IT WAS "A MISTAKE" FOR THE CIA TO HAVE INVOLVED ITSELF COVERTLY WITH EDUCATIONAL GROUPS.

TWO DAYS LATER--ON FEBRUARY 23--PRESIDENT JOHNSON UPHELD THE CIA'S CONDUCT IN SECRETLY PROVIDING MILLIONS OF DOLLARS TO PRIVATE U.S. ORGANIZATIONS THAT OPERATE ABROAD. THE PRESIDENT ENDORSED A PRELIMINARY REPORT BY A THREE-MAN ADMINISTRATION COMMITTEE. THAT COMMITTEE--WHICH INCLUDED SECRETARY GARDNER--PRAISED THE CIA'S SUPPORT OF PRIVATE GROUPS AND SAID THE CIA HAD ACTED IN LINE WITH "NATIONAL POLICIES ESTABLISHED BY THE NATIONAL SECURITY COUNCIL IN 1952 THROUGH 1954." ON FEBRUARY 27, THE VICE-PRESIDENT REVERSED HIMSELF AND VIGOROUSLY DEFENDED THE CIA. HE SAID IT "HAS DONE NOTHING BUT FOLLOW THE POLICIES OF HIGHER AUTHORITY."

WHAT "HIGHER AUTHORITY" WAS MR. HUMPHREY SPEAKING ABOUT? THE PRESIDENT HAS REFUSED TO SAY WHETHER HE HAD PERSONAL KNOWLEDGE OF THE CIA'S FINANCING OF STUDENT GROUPS. BUT THE COMMITTEE HE NAMED TO "INVESTIGATE" THE CIA CONTROVERSY REPORTED THAT THE PROGRAM HAD THE APPROVAL OF THE TRUMAN, EISENHOWER, KENNEDY AND JOHNSON ADMINISTRATIONS. AND SEN. ROBERT F. KENNEDY, SPEAKING FROM HIS EXPERIENCE AS ATTORNEY GENERAL, SAID BOTH PRESIDENTS KENNEDY AND JOHNSON KNEW ABOUT THE STUDENT TIES TO THE CIA.

IS THE CREDIBILITY GAP WIDENING? I'LL LET YOU BE THE JUDGE.

MAY I REMIND YOU THAT ON JANUARY 30 THE ADMINISTRATION ADMITTED IT HAS BEEN CONCEALING ROUGHLY HALF OF OUR



AIRCRAFT LOSSES IN VIETNAM--THAT ACTUALLY THEY WERE TWICE  
THE NUMBER PREVIOUSLY REPORTED. <sup>Presumably</sup> THE ADMINISTRATION  
EMPLOYED THE DEVICE <sup>publicly</sup> OF COUNTING ONLY THE PLANES DESTROYED  
IN COMBAT.

THE CRISIS OF CONFIDENCE ALSO EXTENDS TO THE CONGRESS.  
IN A SOUNDING OF PUBLIC OPINION AT THE HEIGHT OF PUBLICITY  
OVER THE POWELL AND DODD CASES, THE GALLUP POLL INDICATED  
A MAJORITY OF THE AMERICAN PEOPLE BELIEVE THAT MISUSE OF  
PUBLIC FUNDS IS COMMON PRACTICE BY MEMBERS OF CONGRESS.

THE PUBLIC'S LACK OF CONFIDENCE IN CONGRESS UNDERSCORES  
THE NEED FOR IMMEDIATE ESTABLISHMENT <sup>in the House of Representatives</sup> OF A SELECT COMMITTEE  
ON ETHICS AND STANDARDS TO SEE THAT THE CONDUCT OF HOUSE  
MEMBERS IS KEPT ABOVE REPROACH. <sup>The Senate has such a committee.</sup> AND REORGANIZATION OF THE  
CONGRESS TO MAKE IT MORE EFFICIENT AND EFFECTIVE. <sup>Without violating protocol + comity between the House & Senate, I believe</sup>

*I can suggest the Senate would do well to breath new vigor into its committee.*





THE TWO MAJOR ISSUES IN ALL RECENT-YEAR NATIONAL ELECTIONS IN AMERICA HAVE BEEN PEACE AND PROSPERITY.

BOTH OF THESE ISSUES FIGURED IN THE 1966 RESULTS AND CAN BE EXPECTED TO SHAPE THE OUTCOME OF THE 1968 ELECTION.

WHAT IS THE POLITICAL PICTURE TODAY?

I BELIEVE THERE IS A GOOD CHANCE A REPUBLICAN WILL BE ELECTED PRESIDENT IN 1968 AND THAT THE REPUBLICAN PARTY WILL CAPTURE CONTROL OF THE HOUSE OF REPRESENTATIVES.

I AM NOT GOING TO RATE THAT CHANCE AS 50-50, OR 60-40, OR GIVE ANY ODDS, BUT REPUBLICAN PROSPECTS DEFINITELY LOOK ~~GOOD~~. *Encouraging.*

MUCH WILL DEPEND ON WHAT HAPPENS TO THE ECONOMY IN THE NEXT 18 TO 20 MONTHS. MANY VOTES WILL SWING ON ANY



SIGNIFICANT DEVELOPMENT IN VIETNAM AND THE PROGRESS--OR LACK OF IT--TOWARD AN HONORABLE AND MEANINGFUL PEACE THERE.

VIETNAM IS AN EXPLOSIVE AND UNPREDICTABLE ISSUE. IT IS AN ISSUE IN THE SENSE THAT THE AMERICAN PEOPLE MAY DECIDE ONLY A NEW PRESIDENT CAN STEER THE WAR TO THE CONFERENCE TABLE.

VIETNAM GAVE RISE TO THE CREDIBILITY GAP. VARIOUS ADMINISTRATION STATEMENTS AND ACTIONS INVOLVING VIETNAM INITIALLY ESTABLISHED THE CREDIBILITY GAP AND THEN WIDENED IT. THIS--AND NOT THE QUESTION OF STAYING THE COURSE IN VIETNAM--HAS PRODUCED THE DEEP FRUSTRATION FELT BY THE AMERICAN PEOPLE, A CRISIS OF CONFIDENCE AT A TIME OF INTERNATIONAL CRISIS FOR THE NATION.



THE CREDIBILITY GAP HAD ITS BEGINNING WHEN ~~THE~~ TOP ADMINISTRATION SPOKESMAN WHO <sup>e</sup> ~~HAD~~ <sup>have</sup> MADE FREQUENT TRIPS TO VIETNAM REPEATEDLY UNDERESTIMATED THE GRAVITY, SCOPE AND DURATION OF WHAT HAS BECOME THE THIRD LARGEST FOREIGN WAR IN AMERICAN HISTORY.

IRRESPECTIVE OF THE MOTIVES BEHIND EACH MOVE, THE ADMINISTRATION HAS ON AT LEAST THREE OTHER OCCASIONS KINDLED HOPES FOR PEACE IN THE AMERICAN PEOPLE ONLY TO HAVE THOSE HOPES WITHER AWAY IN DISAPPOINTMENT. TO EMPLOY AN APPROPRIATE CLICHE, THE AMERICAN PEOPLE HAVE FELT "LET DOWN."

THE FIRST SUCH INSTANCE WAS THE BOMBING PAUSE IN EARLY 1966. THE SECOND WAS THE HONOLULU CONFERENCE IN FEBRUARY, 1966, AND THE IMPRESSION AMONG THE AMERICAN



PUBLIC THAT INCREASED MILITARY PRESSURE ON THE COMMUNIST FORCES WOULD BRING NEGOTIATIONS. THE THIRD WAS THE JOHNSON TRIP ~~TO AUSTRALIA AND VIETNAM~~ --JUST BEFORE THE <sup>1966</sup> ELECTION--TO MANILA, AUSTRALIA AND VIETNAM.

WHETHER OR NOT IT WAS SO INTENDED, THESE ACTIONS AROUSED GREAT EXPECTATIONS IN THE AMERICAN PEOPLE. WHAT HAPPENED? IN EFFECT, NOTHING. RESULT: DISILLUSIONMENT, FRUSTRATION AND DISENCHANTMENT. THAT IS WHY 57 PER CENT OF THE AMERICAN PEOPLE DISAPPROVE OF MR. JOHNSON'S HANDLING OF THE VIETNAM SITUATION, ACCORDING TO THE LATEST LOUIS HARRIS POLL ON THE QUESTION.

LET'S LOOK AT THE PROSPERITY ISSUE.

THERE IS NO QUESTION THAT THE MASSIVE TAX CUTS OF



1964 AND 1965 TOUCHED OFF A BOOM. BUT THERE ALSO IS NO QUESTION IN MY MIND THAT THE JOHNSON ADMINISTRATION DOOMED THE BOOM BY FAILING TO SLOW DOWN THE ECONOMY SUFFICIENTLY WHEN IT BECAME OVERHEATED IN LATE 1965 AND EARLY 1966.

THERE ARE SEVERAL WAYS TO APPLY RESTRAINTS TO THE ECONOMY. ONE IS TO RAISE TAXES AND TAKE FROM THE AMERICAN CITIZEN FUNDS HE MIGHT OTHERWISE SPEND. ANOTHER IS TO CUT FEDERAL SPENDING. A THIRD IS TO RAISE THE COST OF BORROWING, PUSH UP INTEREST RATES TO DISCOURAGE EXPANSION IN THE ECONOMY.

THE JOHNSON ADMINISTRATION OFFERED NEITHER AN INCOME TAX INCREASE NOR CUTS IN DOMESTIC SPENDING <sup>in 1966</sup> ~~LAST YEAR~~ TO COOL OFF THE OVERHEATED ECONOMY. CONCERNED ABOUT STRONG



INFLATIONARY PRESSURES, THE FEDERAL RESERVE BOARD IN DECEMBER, 1965, MADE ITS FIRST MAJOR MOVE IN A CAMPAIGN TO SHRINK THE MONEY SUPPLY. IT INCREASED THE REDISCOUNT RATE, AND THE NATION'S BANKS RAISED THEIR LENDING RATES CORRESPONDINGLY.

AS WE MOVED THROUGH 1966, THE ADMINISTRATION FAILED TO ACT DECISIVELY TO HALT INFLATION. IN CONSEQUENCE, THE FEDERAL RESERVE BOARD CONTINUED TO TURN UP THE SCREWS ON INTEREST RATES. THE RESULT: THE HIGHEST INTEREST RATES IN 40 YEARS, A DEARTH OF MORTGAGE MONEY, AND A VIRTUAL DEPRESSION IN THE HOMEBUILDING INDUSTRY.

PURSuing POLICIES WHICH FED INFLATION AND HELPED TO PUSH UP INTEREST RATES, THE ADMINISTRATION STIMULATED THE ALREADY OVERHEATED ECONOMY THROUGH HEAVILY INCREASED



DOMESTIC AS WELL AS MILITARY SPENDING AND WENT INTO THE SHORT-TERM MONEY MARKET TO BORROW THE MONEY TO DO IT. BY COMPETING WITH PRIVATE BORROWERS, THE ADMINISTRATION ADDED TO THE UPWARD PUSH ON INTEREST RATES.

MEANTIME THE COST OF LIVING ROSE SHARPLY, HURTING ALL AMERICANS BUT ESPECIALLY THOSE ON FIXED INCOMES, ~~THE~~ <sup>particularly</sup> THE AGED ~~AND THE RETIRED~~

THE PAST IS PROLOGUE WHEN WE CONSIDER THE PROSPERITY ISSUE IN THE CONTEXT OF TODAY'S POLITICAL PICTURE. THE NEXT LINE IN OUR DRAMA IS: WHERE DO WE GO FROM HERE? FACED WITH HUGE DEFICITS, DO WE CUT DOMESTIC SPENDING OR DO WE RAISE INCOME TAXES?

WE KNOW THAT THE 3.5 PERCENT INCREASES IN THE CONSUMER PRICE INDEX IN 1966 ~~AND~~ <sup>and 1967 HAVE</sup> LAID THE FOUNDATION FOR BIG WAGE







INDUSTRIAL PRODUCTION HAS FALLEN TO A TWO-YEAR LOW. AUTOMOBILE SALES HAVE SLUMPED. LAYOFFS HAVE HIT MORE THAN 25,000 AUTO INDUSTRY WORKERS. AND MAY I REMIND YOU THAT THE AUTOMOBILE INDUSTRY IS THE BELLWETHER OF THE ECONOMY.

WITH SAG AND DRAG IN THE ECONOMY AT THE SAME TIME THAT BARGAINING TALKS LOOM IN ~~STEEL~~ AND OTHER MAJOR INDUSTRIES, THIS COUNTRY IS FACING THE PROSPECT OF COST-PUSH INFLATION ACCOMPANIED BY ~~A POSSIBLE RECESSION~~ *some economic adversity in the near future.*

*As a consequence*  
~~THERE IS A STRONG POSSIBILITY, THEREFORE, THAT THE JOHNSON ADMINISTRATION WILL WITHDRAW ITS REQUEST FOR A 2 PERCENT INCOME TAX SURTAX OR SIMPLY LET IT FADE AWAY.~~



IT IS BECOMING INCREASINGLY APPARENT TO THE AMERICAN PEOPLE THAT THE ~~JOHNSON~~ ADMINISTRATION IS DOING *To say the least,* A *timed* POOR *ly* JOB *for*

OF MANAGING THE NATION'S ECONOMY. <sup>This</sup> ~~I THINK THAT~~ WAS <sup>certainly</sup> REFLECTED IN THE 1966 ELECTION RESULTS. IT ADDS UP TO LACK OF CONFIDENCE.

THE PRESIDENT'S CURRENT ECONOMIC REPORT MINIMIZES THE EFFECTS OF 1966 INFLATION, OF COURSE, BUT THE TRUTH APPEARS IF YOU STUDY THE TABLES IN THE APPENDIX.

THESE FIGURES SHOW THAT AVERAGE SPENDABLE WEEKLY EARNINGS OF THE AMERICAN WORKER FELL FROM \$88.06 IN 1965 TO \$87.82 IN 1966. IN OTHER WORDS, HIS STANDARD OF LIVING ACTUALLY DECLINED SOMEWHAT.



FARMERS SUFFERED AS THE FARM PARITY RATIO--THE RELATIONSHIP OF FARM INCOME TO THE PRICES FARMERS MUST PAY-- DROPPED FROM 83 IN FEBRUARY, 1966, TO 77 IN DECEMBER. *As of last Feb. 15, it had slipped further — to 74.*

*dropped*

NET INCOME PER FARM ~~SLID~~ FROM \$5,310 IN THE FIRST QUARTER TO \$4,660 IN THE FOURTH. AND FARM PROPRIETORS' INCOME DECLINED FROM \$17 BILLION IN THE FIRST QUARTER TO \$15.2 BILLION IN THE FOURTH.

THE UNEMPLOYMENT RATE AMONG NON-WHITE WORKERS ROSE FROM 7 PERCENT IN JANUARY, 1966, TO 7.6 PERCENT IN DECEMBER. *of the same year*

HOUSING STARTS FELL FROM 1,600,000 IN JANUARY TO THE LEVELS OF 20 YEARS AGO.

MANUFACTURERS' INVENTORIES CLIMBED BY \$9 BILLION. ALMOST THREE TIMES THE RATE OF THE PRECEDING FOUR YEARS.

TAXPAYERS WERE HURT AS INFLATION AND HIGH INTEREST RATES FORCED GOVERNMENTS TO PAY STEEPLY TO BORROW MONEY FOR PUBLIC IMPROVEMENTS--AND THE INTEREST ON THE NATIONAL



To

DEBT BALLOONED ~~TOWARD~~ \$14 BILLION A YEAR. *an all time high - the interest payment increase reflecting the mounting debt or higher interest rates.*

THE FRUITS OF INFLATION STILL ARE BEING FELT POLITICALLY. IRONICALLY, SOME POLITICAL LEADERS ARE SEEKING POLITICAL BENEFIT FROM IT. I REFER TO THE PRESIDENT'S CALL FOR AN AVERAGE INCREASE OF 20 PERCENT IN SOCIAL SECURITY BENEFITS AND TO SEN. ROBERT KENNEDY'S PROPOSAL FOR A 50 PERCENT BENEFITS BOOST.

THERE MUST BE IMPROVEMENTS IN OUR SOCIAL SECURITY SYSTEM. WE NEED AN INCREASE IN BENEFITS TO BRIDGE THE BIG "COST OF <sup>\*</sup>LIVING GAP" THAT WIDENED BROADLY IN 1966.

IT IS ALSO TIME THE AMERICAN PEOPLE FACED UP TO THE FACT THAT SOCIAL SECURITY BENEFITS MUST BE PAID FOR.

IT IS TIME FOR A SEARCHING EXAMINATION OF THE ORIGINAL



INTENT OF THE SOCIAL SECURITY ACT AND THE BASIC PURPOSES OF THE SOCIAL SECURITY SYSTEM.

I MENTION THIS TODAY BECAUSE THE QUESTION OF FISCAL RESPONSIBILITY HAS NOW BECOME CRITICAL IN OUR HANDLING OF SOCIAL SECURITY PROBLEMS. THE POLITICAL IMPLICATIONS OF <sup>some</sup> ~~THE EXTRAVAGANT~~ SOCIAL SECURITY PROPOSALS NOW BEFORE US ARE OBVIOUS.

IS THERE A POT OF GOLD AT THE END OF THE RAINBOW?  
THE TRUTH IS THAT THE YOUNG WORKER HAS ALREADY BEEN LEFT FAR BEHIND IN THE SOCIAL SECURITY SYSTEM.

OUR YOUNG PEOPLE ARE BEING ASKED TO SHOULDER AN INCREASINGLY HEAVY PAYROLL TAX TO PAY FOR INCREASED SOCIAL SECURITY BENEFITS, KNOWING FULL WELL THAT THEY



WILL GET "THE SHORT END OF THE STICK." EVIDENCE OF THIS IS A TAX FOUNDATION STUDY WHICH INDICATES THAT A 21-YEAR-OLD AMERICAN PUTTING IN 44 YEARS OF WORK AND PAYING INTO THE SOCIAL SECURITY FUND AT TODAY'S TAX LEVELS WOULD PAY \$32,496 IN TAXES AND INTEREST TO THE FUND. BASED ON A LIFE EXPECTANCY OF 13 YEARS AFTER THAT WORKER REACHES AGE 65, HE OR SHE WOULD COLLECT \$19,704 IN BENEFITS.

IF PRESIDENT JOHNSON'S PROPOSAL IS ENACTED INTO LAW, THE FEDERAL PAYROLL TAX WILL HAVE TO BE RAISED TO 11.6 PERCENT (COMBINED EMPLOYEE-EMPLOYER RATE) ON \$10,800 OF INCOME.

PROPOSALS FOR INCREASED FEDERAL PAYROLL AND INCOME TAXES ARE CONTRIBUTING TO WHAT I CALL THE DISINCENTIVE SICKNESS IN AMERICA. THEY ALSO HELP CREATE AN IMBALANCE



IN OUR ECONOMY THAT RESULTS WHEN TAXATION TAKES FAR TOO LARGE A PORTION OF OUR GROSS NATIONAL PRODUCT.

IN MY REPUBLICAN STATE OF THE UNION MESSAGE LAST JANUARY 19, I CALLED FOR A "NEW DIRECTION" IN FEDERAL POLICY-MAKING.

THIS "NEW DIRECTION" IS SYNONYMOUS WITH A NEW FEDERAL PHILOSOPHY, A NEW APPROACH TO SOLVING MANY OF THIS NATION'S DOMESTIC PROBLEMS. THE KEY IS SHARING OF FEDERAL INCOME TAX REVENUE WITH THE STATES AND CITIES.

OTHER FACETS ARE TAX CREDITS TO INDUSTRY TO PROMOTE MASSIVE ATTACKS ON AIR AND WATER POLLUTION AND STRUCTURAL UNEMPLOYMENT, THE LATTER THROUGH LARGE-SCALE ON-THE-JOB TRAINING.



STILL OTHER EMBRYO PROGRAMS INCLUDE THE POSSIBLE HARNESSING OF INDUSTRIAL KNOW-HOW FOR AN ATTACK ON ASSORTED URBAN ILLS, THE PROMOTION OF A KIND OF "CITIES INDUSTRY" EMPLOYING PROBLEM-SOLVING TECHNIQUES SIMILAR TO THOSE IN THE SPACE INDUSTRY. THE POSSIBILITIES ARE ALMOST ENDLESS.

THIS NEW PHILOSOPHY, THIS "NEW DIRECTION," IS PART OF THE POLITICAL PICTURE TODAY. WE CURRENTLY ARE IN TRANSITION. WE ARE MOVING TOWARD THIS REVOLUTIONARY CHANGE--AND THAT CHANGE HAS VAST RAMIFICATIONS FOR THE TWO MAJOR POLITICAL PARTIES AND THE FEDERAL BUREAUCRACY.

EARLY IN MY REMARKS I SAID THERE IS A GOOD CHANCE AMERICAN VOTERS WILL ELECT A REPUBLICAN PRESIDENT IN 1968





AND WILL TURN CONTROL OF THE HOUSE OVER TO THE REPUBLICAN PARTY.

MY OPTIMISM ABOUT A GOP WHITE HOUSE VICTORY IS BASED NOT MERELY ON HOPE BUT ON HARD FACTS. IT EMANATES FROM THE 1966 ELECTION RESULTS--THE FACT THAT THE GOP WON EITHER GOVERNORSHIPS OR SENATE SEATS IN 29 STATES WITH WELL OVER THE 270 ELECTORAL VOTES NEEDED TO WIN THE WHITE HOUSE. AS A MATTER OF FACT, THE REPUBLICAN PARTY ELECTED TOP CANDIDATES IN STATES WITH A TOTAL OF 326 ELECTORAL VOTES.

WE ADDED EIGHT GOVERNORSHIPS, FOR A TOTAL OF 25. WE PICKED UP THREE SENATE SEATS AND <sup>a net gain of</sup> 47 HOUSE SEATS. OUR HOUSE GAIN BROUGHT US TO 187, JUST 31 SHORT OF A MAJORITY. WE NOW ARE WORKING TO ACHIEVE THAT MAJORITY IN 1968.

I SPOKE AT THE OUTSET ABOUT "A CRISIS OF CONFIDENCE" WHICH IS BESETTING THE AMERICAN PEOPLE. IN THE FINAL ANALYSIS, THIS CRISIS IS CAUSED BY A LACK OF CONFIDENCE IN THE GOVERNMENT ITSELF, A LACK OF CONFIDENCE IN OUR ACTIONS AND ACHIEVEMENTS AS A NATION.

I SUBMIT, THEREFORE, THAT THE AMERICAN PEOPLE ARE SEARCHING FOR A NEW DIRECTION, A MOVEMENT AWAY FROM GOVERNMENT BY FEDERAL GRANT, A CURE FOR THE DISINCENTIVE SICKNESS, A REBIRTH OF THE SPIRIT THAT EARLY MARKED AMERICA FOR GREATNESS.

-----END-----



AN ADDRESS BY REP. GERALD R. FORD, R-MICH.

AT THE SESQUICENTENNIAL ALUMNI CELEBRATION, THE UNIVERSITY OF MICHIGAN

A CRISIS OF CONFIDENCE

Any analysis of today's political picture in America of necessity revolves about a single phrase--four words--"a crisis of confidence."

The American people are constantly engaged in a search for truth--for political truth, for moral truth, for truth in government, for verities in our international relations.

Today they are deeply troubled because the truth, always elusive in public affairs, is hidden in a thicket of contradictions and misleading statements by government spokesmen.

To use the everyday language of the politician, the American people have become painfully aware of what has been called "the credibility gap." This was a large factor in Republican successes in the 1966 elections. Unless there is a dramatic change, it will be important in 1968.

President Johnson considers the Credibility Gap to have been so damaging that he is engaged in a concerted effort to bridge it, particularly as it applies to him personally.

This first became obvious when the President on January 10 delivered a State of the Union Message full of confessions that he had made mistakes and some of his programs weren't working very well. As we say in Michigan, it was model changeover time.

The 1967 model of the Presidency purports to be that of a humble chief executive who is seeking the advice and help of others. Is this a change of substance? It remains to be seen whether the people will buy the new LBJ model or whether they will see it as the same vehicle with just new grillework...a new front.

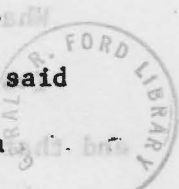
I will simply add that all of the Presidential messages received by the Congress this year indicate there has been no fundamental change in the Presidency or in the way the office is being used. The thrust toward increased federal power continues.

The "Credibility Gap" separates the Johnson regime from informed public opinion. People who analyze public problems and information--people who dissect the statements and actions of public officials--find themselves increasingly alienated from this Administration.

The Credibility Gap continues; the Crisis of Confidence grows.

Witness the Administration's recent statements and actions in connection with the controversy over CIA financing of student and other private organizations.

In Palo Alto, California, on February 21, Vice-President Hubert Humphrey said that CIA financing of student groups represented "one of the saddest times, in



reference to public policy, our government has had." Humphrey added he was "not at all happy about what the CIA has been doing." HEW Secretary John W. Gardner said on the same date that it was "a mistake" for the CIA to have involved itself covertly with educational groups.

Two days later--on February 23--President Johnson upheld the CIA's conduct in secretly providing millions of dollars to private U.S. organizations that operate abroad. The President endorsed a preliminary report by a three-man Administration committee. That committee--which included Secretary Gardner--praised the CIA's support of private groups and said the CIA had acted in line with "national policies established by the National Security Council in 1952 through 1954." On February 27, the Vice-President reversed himself and vigorously defended the CIA. He said it "has done nothing but follow the policies of higher authority."

What "higher authority" was Mr. Humphrey speaking about? The President has refused to say whether he had personal knowledge of the CIA's financing of student groups. But the committee he named to "investigate" the CIA controversy reported that the program had the approval of the Truman, Eisenhower, Kennedy and Johnson Administrations. And Sen. Robert F. Kennedy, speaking from his experience as attorney general, said both Presidents Kennedy and Johnson knew about the student ties to the CIA.

Is the Credibility Gap widening? I'll let you be the judge.

May I remind you that on January 30 the Administration admitted it has been concealing roughly half of our aircraft losses in Vietnam--that actually they were twice the number previously reported. The Administration employed the device of counting only the planes destroyed in combat.

The Crisis of Confidence also extends to the Congress. In a sounding of public opinion at the height of publicity over the Powell and Dodd cases, the Gallup Poll indicated a majority of the American people believe that misuse of public funds is common practice by members of Congress.

The public's lack of confidence in Congress underscores the need for immediate establishment of a Select Committee on Ethics and Standards to see that the conduct of House members is kept above reproach and reorganization of the Congress to make it more efficient and effective.

The two major issues in all recent-year national elections in America have been peace and prosperity.

Both of these issues figured in the 1966 results and can be expected to shape the outcome of the 1968 election.

What is the political picture today?

I believe there is a good chance a Republican will be elected President in 1968 and that the Republican Party will capture control of the House of Representatives.

I am not going to rate that chance as 50-50, or 60-40, or give any odds. But Republican prospects definitely look good.

Much will depend on what happens to the economy in the next 18 to 20 months. Many votes will swing on any significant development in Vietnam and the progress--or lack of it--toward an honorable and meaningful peace there.

Vietnam is an explosive and unpredictable issue. It is an issue in the sense that the American people may decide only a new President can steer the war to the conference table.

Vietnam gave rise to the Credibility Gap. Various Administration statements and actions involving Vietnam initially established the Credibility Gap and then widened it. This--and not the question of staying the course in Vietnam--has produced the deep frustration felt by the American people, a crisis of confidence at a time of international crisis for the Nation.

The Credibility Gap had its beginning when a top Administration spokesman who had made frequent trips to Vietnam repeatedly underestimated the gravity, scope and duration of what has become the third largest foreign war in American history.

Irrespective of the motives behind each move, the Administration has on at least three other occasions kindled hopes for peace in the American people only to have those hopes wither away in disappointment. To employ an appropriate cliché, the American people have felt "let down."

The first such instance was the bombing pause in early 1966. The second was the Honolulu Conference in February, 1966, and the impression among the American public that increased military pressure on the Communist forces would bring negotiations. The third was the Johnson trip last fall--just before the election--to Manila, Australia and Vietnam.

Whether or not it was so intended, these actions aroused great expectations in the American people. What happened? In effect, nothing. Result: Disillusionment, frustration and disenchantment. That is why 57 per cent of the American people disapprove of Mr. Johnson's handling of the Vietnam situation, according to the latest Louis Harris poll on the question.

Let's look at the prosperity issue.

There is no question that the massive tax cuts of 1964 and 1965 touched off a boom. But there also is no question in my mind that the Johnson Administration doomed the boom by failing to slow down the economy sufficiently when it became overheated in late 1965 and early 1966.

There are several ways to apply restraints to the economy. One is to raise taxes and take from the American citizen funds he might otherwise spend. Another is to cut federal spending. A third is to raise the cost of borrowing, push up interest rates to discourage expansion in the economy.

The Johnson Administration offered neither an income tax increase nor cuts in domestic spending last year to cool off the overheated economy. Concerned about strong inflationary pressures, the Federal Reserve Board in December, 1965, made its first major move in a campaign to shrink the money supply. It increased the rediscount rate, and the nation's banks raised their lending rates correspondingly.

As we moved through 1966, the Administration failed to act decisively to halt inflation. In consequence, the Federal Reserve Board continued to turn up the screws on interest rates. The result: The highest interest rates in 40 years, a dearth of mortgage money, and a virtual depression in the homebuilding industry.

Pursuing policies which fed inflation and helped to push up interest rates, the Administration stimulated the already overheated economy through heavily increased domestic as well as military spending and went into the short-term money market to borrow the money to do it. By competing with private borrowers, the Administration added to the upward push on interest rates.

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The past is prologue when we consider the prosperity issue in the context of today's political picture. The next line in our drama is: Where do we go from here? Faced with huge deficits, do we cut domestic spending or do we raise income taxes?

We know that the 3.5 per cent increase in the consumer price index in 1966 has laid the foundation for big wage increases in 1967 as the worker strives to catch up. This in turn threatens cost-push inflation and additional price increases--probably well in excess of the 2.5 per cent predicted in the President's recent Economic Message.

Business profits now are showing signs of decline.

Interest rates are easing. But while this is helpful "at home," it was the high rates of 1966 that attracted hot money from abroad and that kept our balance of payments situation from becoming more critical. Thus the gold outflow situation promises to worsen rather than improve this year.

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With sag and drag in the economy at the same time that bargaining talks loom in the automobile and other major industries, this country is facing the prospect of cost-push inflation accompanied by a possible recession. Some prominent economists believe a recession may already have begun. There is a strong possibility, therefore, that the Johnson Administration will withdraw its request for a 6 per cent income tax

surtax or simply let it fade away.

It is becoming increasingly apparent to the American people that the Johnson Administration is doing a poor job of managing the Nation's economy. I think that was reflected in the 1966 election results. It adds up to lack of confidence.

The President's current Economic Report minimizes the effects of 1966 inflation, of course, but the truth appears if you study the tables in the appendix.

These figures show that average spendable weekly earnings of the American worker fell from \$88.06 in 1965 to \$87.82 in 1966. In other words, his standard of living actually declined somewhat.

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Taxpayers were hurt as inflation and high interest rates forced governments to pay steeply to borrow money for public improvements--and the interest on the national debt ballooned toward \$14 billion a year.

The fruits of inflation still are being felt politically. Ironically, some political leaders are seeking political benefit from it. I refer to the President's call for an average increase of 20 per cent in Social Security benefits and to Sen. Robert Kennedy's proposal for a 50 per cent benefits boost.

There must be improvements in our Social Security system. We need an increase in benefits to bridge the big cost of living gap that widened broadly in 1966.

It is also time the American people faced up to the fact that Social Security benefits must be paid for.

It is time for a searching examination of the original intent of the Social Security Act and the basic purposes of the Social Security system.

I mention this today because the question of fiscal responsibility has now become critical in our handling of Social Security problems. The political implications of the extravagant Social Security proposals now before us are obvious.

Is there a pot of gold at the end of the rainbow? The truth is that the young worker has already been left far behind in the Social Security system.

Our young people are being asked to shoulder an increasingly heavy payroll tax to pay for increased Social Security benefits, knowing full well that they will get

"the short end of the stick." Evidence of this is a Tax Foundation study which indicates that a 21-year-old American putting in 44 years of work and paying into the Social Security fund at today's tax levels would pay \$32,496 in taxes and interest to the fund. Based on a life expectancy of 13 years after that worker reaches age 65, he or she would collect \$19,704 in benefits.

If President Johnson's proposal is enacted into law, the federal payroll tax will have to be raised to 11.6 per cent (combined employee-employer rate) on \$10,800 of income.

Proposals for increased federal payroll and income taxes are contributing to what I call the disincentive sickness in America. They also help create an imbalance in our economy that results when taxation takes far too large a portion of our gross national product.

In my Republican State of the Union Message last January 19, I called for a "New Direction" in federal policy-making.

This "New Direction" is synonymous with a new federal philosophy, a new approach to solving many of this Nation's domestic problems. The key is sharing of federal income tax revenue with the states and cities.

Other facets are tax credits to industry to promote massive attacks on air and water pollution and structural unemployment, the latter through large-scale on-the-job training.

Still other embryo programs include the possible harnessing of industrial know-how for an attack on assorted urban ills, the promotion of a kind of "cities industry" employing problem-solving techniques similar to those in the space industry. The possibilities are almost endless.

This new philosophy, this "New Direction," is part of the political picture today. We currently are in transition. We are moving toward this revolutionary change--and that change has vast ramifications for the two major political parties and the federal bureaucracy.

Early in my remarks I said there is a good chance American voters will elect a Republican President in 1968 and will turn control of the House over to the Republican Party.

My optimism about a GOP White House victory is based not merely on hope but on hard facts. It emanates from the 1966 election results--the fact that the GOP won either governorships or Senate seats in 29 states with well over the 270 electoral votes needed to win the White House. As a matter of fact, the Republican Party elected top candidates in states with a total of 326 electoral votes.

We added eight governorships, for a total of 25. We picked up three Senate seats and 47 House seats. Our House gain brought us to 187, just 31 short of a majority. We now are working to achieve that majority in 1968.



I spoke at the outset about "a crisis of confidence" which is besetting the American people. In the final analysis, this crisis is caused by a lack of confidence in the government itself, a lack of confidence in our actions and achievements as a Nation.

I submit, therefore, that the American people are searching for a New Direction, a movement away from government by federal grant, a cure for the disincentive sickness, a rebirth of the spirit that early marked America for greatness.

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AN ADDRESS BY REP. GERALD R. FORD, R-MICH.

AT THE SESQUICENTENNIAL ALUMNI CELEBRATION, THE UNIVERSITY OF MICHIGAN

A CRISIS OF CONFIDENCE

Any analysis of today's political picture in America of necessity revolves about a single phrase--four words--"a crisis of confidence."

The American people are constantly engaged in a search for truth--for political truth, for moral truth, for truth in government, for verities in our international relations.

Today they are deeply troubled because the truth, always elusive in public affairs, is hidden in a thicket of contradictions and misleading statements by government spokesmen.

To use the everyday language of the politician, the American people have become painfully aware of what has been called "the credibility gap." This was a large factor in Republican successes in the 1966 elections. Unless there is a dramatic change, it will be important in 1968.

President Johnson considers the Credibility Gap to have been so damaging that he is engaged in a concerted effort to bridge it, particularly as it applies to him personally.

This first became obvious when the President on January 10 delivered a State of the Union Message full of confessions that he had made mistakes and some of his programs weren't working very well. As we say in Michigan, it was model changeover time.

The 1967 model of the Presidency purports to be that of a humble chief executive who is seeking the advice and help of others. Is this a change of substance? It remains to be seen whether the people will buy the new LBJ model or whether they will see it as the same vehicle with just new grillework...a new front.

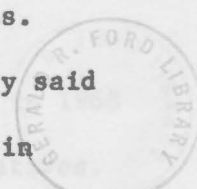
I will simply add that all of the Presidential messages received by the Congress this year indicate there has been no fundamental change in the Presidency or in the way the office is being used. The thrust toward increased federal power continues.

The "Credibility Gap" separates the Johnson regime from informed public opinion. People who analyze public problems and information--people who dissect the statements and actions of public officials--find themselves increasingly alienated from this Administration.

The Credibility Gap continues; the Crisis of Confidence grows.

Witness the Administration's recent statements and actions in connection with the controversy over CIA financing of student and other private organizations.

In Palo Alto, California, on February 21, Vice-President Hubert Humphrey said that CIA financing of student groups represented "one of the saddest times, in



reference to public policy, our government has had." Humphrey added he was "not at all happy about what the CIA has been doing." HEW Secretary John W. Gardner said on the same date that it was "a mistake" for the CIA to have involved itself covertly with educational groups.

Two days later--on February 23--President Johnson upheld the CIA's conduct in secretly providing millions of dollars to private U.S. organizations that operate abroad. The President endorsed a preliminary report by a three-man Administration committee. That committee--which included Secretary Gardner--praised the CIA's support of private groups and said the CIA had acted in line with "national policies established by the National Security Council in 1952 through 1954." On February 27, the Vice-President reversed himself and vigorously defended the CIA. He said it "has done nothing but follow the policies of higher authority."

What "higher authority" was Mr. Humphrey speaking about? The President has refused to say whether he had personal knowledge of the CIA's financing of student groups. But the committee he named to "investigate" the CIA controversy reported that the program had the approval of the Truman, Eisenhower, Kennedy and Johnson Administrations. And Sen. Robert F. Kennedy, speaking from his experience as attorney general, said both Presidents Kennedy and Johnson knew about the student ties to the CIA.

Is the Credibility Gap widening? I'll let you be the judge.

May I remind you that on January 30 the Administration admitted it has been concealing roughly half of our aircraft losses in Vietnam--that actually they were twice the number previously reported. The Administration employed the device of counting only the planes destroyed in combat.

The Crisis of Confidence also extends to the Congress. In a sounding of public opinion at the height of publicity over the Powell and Dodd cases, the Gallup Poll indicated a majority of the American people believe that misuse of public funds is common practice by members of Congress.

The public's lack of confidence in Congress underscores the need for immediate establishment of a Select Committee on Ethics and Standards to see that the conduct of House members is kept above reproach and reorganization of the Congress to make it more efficient and effective.

The two major issues in all recent-year national elections in America have been peace and prosperity.

Both of these issues figured in the 1966 results and can be expected to shape the outcome of the 1968 election.

What is the political picture today?

I believe there is a good chance a Republican will be elected President in 1968 and that the Republican Party will capture control of the House of Representatives.

I am not going to rate that chance as 50-50, or 60-40, or give any odds. But Republican prospects definitely look good.

Much will depend on what happens to the economy in the next 18 to 20 months. Many votes will swing on any significant development in Vietnam and the progress--or lack of it--toward an honorable and meaningful peace there.

Vietnam is an explosive and unpredictable issue. It is an issue in the sense that the American people may decide only a new President can steer the war to the conference table.

Vietnam gave rise to the Credibility Gap. Various Administration statements and actions involving Vietnam initially established the Credibility Gap and then widened it. This--and not the question of staying the course in Vietnam--has produced the deep frustration felt by the American people, a crisis of confidence at a time of international crisis for the Nation.

The Credibility Gap had its beginning when a top Administration spokesman who had made frequent trips to Vietnam repeatedly underestimated the gravity, scope and duration of what has become the third largest foreign war in American history.

Irrespective of the motives behind each move, the Administration has on at least three other occasions kindled hopes for peace in the American people only to have those hopes wither away in disappointment. To employ an appropriate cliché, the American people have felt "let down."

The first such instance was the bombing pause in early 1966. The second was the Honolulu Conference in February, 1966, and the impression among the American public that increased military pressure on the Communist forces would bring negotiations. The third was the Johnson trip last fall--just before the election--to Manila, Australia and Vietnam.

Whether or not it was so intended, these actions aroused great expectations in the American people. What happened? In effect, nothing. Result: Disillusionment, frustration and disenchantment. That is why 57 per cent of the American people disapprove of Mr. Johnson's handling of the Vietnam situation, according to the latest Louis Harris poll on the question.

Let's look at the prosperity issue.

There is no question that the massive tax cuts of 1964 and 1965 touched off a boom. But there also is no question in my mind that the Johnson Administration doomed the boom by failing to slow down the economy sufficiently when it became overheated in late 1965 and early 1966.

There are several ways to apply restraints to the economy. One is to raise taxes and take from the American citizen funds he might otherwise spend. Another is to cut federal spending. A third is to raise the cost of borrowing, push up interest rates to discourage expansion in the economy.

The Johnson Administration offered neither an income tax increase nor cuts in domestic spending last year to cool off the overheated economy. Concerned about strong inflationary pressures, the Federal Reserve Board in December, 1965, made its first major move in a campaign to shrink the money supply. It increased the rediscount rate, and the nation's banks raised their lending rates correspondingly.

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